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THE RAILROAD QUESTION.¹

There is probably no question which attracts to-day more general attention than that of the proper management and control of those means of transportation and communication which have made modern civilization possible. Highways, canals, railroads, the post and the telegraph — these are agencies whose far-reaching influences have transformed the entire world by uniting into one vast complicated whole its many hitherto separate and independent parts. To them is owing the fact that time and distance are fast becoming annihilated. We can, for example, now cross the continent and return again in less time than it usually took the men of a few generations ago to ride on horseback from Charleston to New York. To-day we buy and sell in the world's markets, although people are still living who can easily recall the time when the barriers set by nature to human efforts confined industrial enterprises to a very limited field. Local jealousies are giving way to the patriot's dream of nationality. Race antipathies are rapidly disappearing. Long accepted traditions, along all the lines of social life, are fast being modified or discarded.

It is now generally conceded that the most powerful factor in this revolution is the railroad and it is therefore hardly to be wondered at that the very grave considerations presented by this successor of the king's highway are more and more earnestly engaging the attention not only of economists and legislators, but that of the public generally. The result of this increased interest in the subject is a large and growing railroad literature, while one has but to ex-

¹ "Railroad Transportation," Hadley; "The Railroad Problem," Stickney; "Railroads: Their Origin and Problems," Adams; "National Consolidation of the Railways," Lewis; "The Interstate Commerce Law Annotated," Wentworth; "Railway Tariffs and the Interstate Commerce Law," Seligman; "Reports of the Interstate Commerce Commission: Inland Waterways," Johnson.

amine the statutes of our states or nation to realize the great body of laws annually passed in the vain attempt to harmonize the jurisprudence of a simpler age with the intricate needs of an expanding civilization. What, then, is the railroad question? The best answer is, perhaps, that given by Charles Francis Adams, jr., whose name is so prominently associated with the development of American railroads. "The railroad," says Mr. Adams, "has developed one distinctive problem, and a problem which actively presses for a solution. It has done so for the reason that it has not only usurped, in modern communities, the more important functions of highway, but those who own it have also undertaken to do the work which was formerly done on the highway. Moreover, as events have developed themselves, it has become apparent that the recognized laws of trade operate but imperfectly at best in regulating the use made of these modern thoroughfares by those who thus both own and monopolize them. Consequently the political governments of the various countries have been called upon in some way to make good through legislation the deficiencies thus revealed in the working of the natural laws. This is the Railroad Problem."

And it is not difficult to perceive that the question as thus stated is intimately associated with the political constitution of each country: nor is it necessary to add that the question assumes a different aspect to each nation. In the United States, for example, with its system of divided sovereignty between State and Nation, railroad management has naturally appeared in a form different from that in which it presents itself to a consolidated kingdom like that of Italy. And we can easily understand that railroading in Germany must, from the very nature of things, differ very materially from railroading in less federally constituted countries like Belgium and its next-door neighbor, France. While, therefore, it is quite correct to say that the so-called railroad question is a world-wide one, it is very important to remember that in all most every country it presents it-

self in a different guise. It is the apparent failure to grasp fully this idea which doubtless leads to many an argument in favor of this or that policy on the part of our State and national governments, the advocates of such policies no doubt hastily assuming that a line of action in one country can always be successfully and advantageously adopted by another. As a matter of fact, such is far from being the case. Historical antecedents, the character and temper of the people, their genius for administration—these and many other considerations can never be lost sight of, least of all in the discussion of a question so delicate as that of railroad ownership and control. In spite of this fact, however, we may learn much from the experience of other nations. Their past may guard us against error in future, or in case we find ourselves on the wrong track we may retrace our steps before it is too late.

To approach the railroad question intelligently, it is necessary to bear in mind the fact that the railroad is a modern invention. Readers of Mr. Adams' little book, for example, will remember the graphic description he furnishes of the trial trip of Stephenson's locomotive over the Manchester & Liverpool Railway. This was about sixty-four years ago. The short period which separates us from that event, however, is one of the most remarkable in history. It is eventful, not so much because of its great wars or extensions of national power, for from the point of view of the "fife and drum" historian, the years are often barren of stirring episodes; but when we come to examine the deep and silent alterations in society—those changes in the relations of men toward each other which are of such significance to human progress—powerful transformations on all sides reveal themselves. In the words of Prof. Hadley: "small industries and independent workmen are giving place to large factories and factory operatives. . . . A rapidly increasing share of productive wealth is held by corporations. "The men who manage this mass of corporate capital form the sole connecting link between inves-

tors, workmen, and consumers. The classes become more and more sharply marked. Conflicts of interest arise between them — sometimes apparent, sometimes real, which result in disastrous struggles or in class legislation of the worst type." Since the railroad occasions this anomalous condition of things, it behooves us to find, if possible, the root of the evil.

Prior to the advent in England of Stephenson's steam locomotive, goods and passengers were transported overland in various ways; but the most usual means of conveyance were those furnished by wagons and stage coaches. To the owners of such vehicles the law gave the name of carriers, and divided them into two familiar classes, private and common carriers. The common carrier — the carrier in common — was he who held himself out to the public to transport the goods and person of everyone who demanded his services. In return for his labors he was entitled to a reward, which could be demanded in advance. This recompense the common law required should be reasonable, and, although the common carrier might possibly charge one patron a higher rate than another, he was always an insurer of the goods he took into custody. In the quaint language of the day, he was liable for all losses occurring to goods in his care save damage occasioned "by the act of God or of the public enemy." Where the common carrier charged a rate which the intending shipper regarded as excessive, the remedy was a simple one. He retained the services of another carrier. Competition — the idol of Englishmen — thus easily prevented extortion or discrimination, for, while every common carrier owned his own wagon or coach, it passed over the king's highway which was free to every subject. As is well-known, this public thoroughfare was kept in repair by the duty imposed upon every person capable of bearing arms. This duty was one of the *trinoda necessitatis*. It is true the development of commerce brought some changes in this respect to the English law — especially when to turnpike companies was given

the royal right of repairing roads and exacting tolls of all who traveled on them. A somewhat similar alteration took place on the construction of the English canals. Neither the turnpike nor the canal company was, however, regarded as a carrier. They both owned only the thoroughfare through which the vehicles and boats of everybody had the right to pass on payment of the required toll. Now, strange as it may seem, when the railroad first appeared in England it was supposed that ownership of the thoroughfare would be vested in one set of persons and ownership of the cars in another, very much in the same manner as was the case with turnpikes and canals. It was hoped that in this way the competition of independent carriers would regulate charges on the new means of transportation precisely in the same manner it regulated charges on the old. This idea however was abandoned quickly, and it was on all sides admitted that from the very nature of things ownership of the road-bed and the rollingstock must be vested in the same hands in order to avoid that confusion which would otherwise render railroading impossible. It was also early recognized that in so far as England was concerned, the railroad must be owned by private parties endowed with corporate privileges. The reasons for this conclusion were many and various. Individual initiative has always been a marked characteristic of the Anglo-Saxon and consequently state interference has never to any great extent been encouraged in England. This principle was still further strengthened by the teachings of the so-called English school of economists, whose leading doctrine was founded on the principle that competition among individuals could always be relied on to give society the highest good. As a corollary to this proposition it was held that the State should be debarred from all industrial undertakings. In England, therefore, railroad ownership and management were from the beginning lodged in private hands. That such ownership assumed the form of corporate management is easily understood when we remember that in this manner investors are

limited to liability for the amount of stock owned, that a new juristic person is created and endowed by the law with proprietary capacity, and that, although by death of the stockholders or transfer of their interests, the individuals comprising the corporation change, this body politic remains unchanged. Corporations thus usurped the work of individuals and slowly trespassed upon the functions of government.

What were the results of private or corporate ownership in England? We have already seen that the idea of competing carriers on the same roadbed was abandoned at an early day. Mr. Adams draws attention to the fact that it required nothing but experience to demonstrate that in like manner competition between independent railroads was also impossible. This truth, however was not forced upon the public mind until the development of through traffic, brought about by the consolidation or, as the English say, the amalgamation of rival lines. Of course when the railroad was first introduced, everybody at once recognized its importance, and the people went wild with enthusiasm over the possibilities it opened up. Then there began the era, known in railroad history, as the era of construction. Parliament was burdened with petitions for charters which, at that time, were granted separately — general incorporation laws being the result of after years. Competition between rival roads was still relied on to correct overcharges in transportation, which not even the system of maximal rates, borrowed from the old canal and turnpike, could keep down. If a railroad between Liverpool and London, for example, charged a rate too high to suit its patrons, it was believed that the construction of the new line would force down charges; but it did not require many such experiments to prove that the building of new roads was but a waste of capital and, at the same time, an additional burden to the public who now had two roads instead of one to support. The English roads, moreover, were built for local purposes. Averaging, at first, according to

Professor Hadley, only some fifteen miles in length, these roads in 1847 were owned by several hundred companies operating about five thousand miles. The inconveniences of such a system—especially in a small country—were very great. Long-distance traffic was necessarily hampered and rendered expensive under a system which required a change of cars every few leagues. The companies also realized quickly that cutthroat rates meant their ruin, for granted that competition may be the “life of trade” in some business, it is a principle which finds no application to railroading which represents fixed capital. In other words, two merchants may undersell each other until one is obliged to retire; but in the case of two railroads such a contest is out of the question. The railroad, even when bankrupt, remains a railroad. Its capital cannot be turned into other channels, and this lesson the English railroads took well to heart. Competition thus ended in consolidation. To such an extent was the process of amalgamation carried on, that in 1872 the five thousand miles of a quarter of a century earlier had been increased to twenty-five thousand, while the number of companies was only about twelve; and of late years they have been still further diminished in number. Overbuilding and competition had done their work. Professor Hadley finds in the English railroads, however, much to commend them to Americans. First of all, the English roads were built to meet present wants, while with us they are too often constructed to open up a new country or to develop business. We should not, therefore, be surprised to find that in contrasting the material construction of the two systems, our own roads suffer by the comparison. This difference is especially noticeable in the average cost per mile for the construction of the railroads—that of England being set down at \$200,000 and of the United States at \$80,000, which would indicate that the one country builds for the future and the other for the present. It is needless to say that the cheaper roads are the most costly. The English lines are said to have better bridges and viaducts, while

their superior stations will be remembered most gratefully by every tourist. But the English railroads were not satisfactory to the people. Local and personal discriminations appear to have been indulged in, and so early as 1840, according to Mr. Adams, Parliament began to investigate the matter. Four years later, a committee on railroads, of which Mr. Gladstone was a member, reported in favor of State ownership, but no definite action was taken in that direction. Meanwhile, new committees were appointed, new laws were passed, and new debates were carried on. Indeed, Parliament, like the peers in "Iolanthe":

Did nothing in particular,
And did it very well.

At last, in 1872, a committee, which numbered among its members the Marquis of Salisbury, reached solid ground. The report of this committee is thus summarized by Mr. Adams: "The committee showed with grim precision how the English railroad legislation had never accomplished anything which it sought to bring about, nor prevented anything which it sought to hinder. The cost to the companies of this useless mass of enactments had been enormous, amounting to \$500,000,000; for the laws were three thousand three hundred and filled whole volumes. Then the committee examined in detail the various parliamentary theories which had, at different stages, marked the development of the railway system. The highway analogy was dismissed in silence; but of the 'enlightened view of self-interest theory', it was remarked that experience had shewn that as a regulating force this was to be relied upon only to a limited extent. The principle of competition was next discussed, and the conclusion of the committee was 'that competition between railroads exists only to a limited extent, and cannot be maintained by legislation.' The committee did not regard State ownership under existing conditions as at all possible. They then took up the subject of amalgamation. Citing the case of the North-

eastern Railway, composed of thirty-seven once independent lines, it was declared that their consolidation secured low rates and good dividends. The committee therefore reported that amalgamation had not brought with it the evils anticipated nor could parliament arrest its growth. They found equal mileage rates inexpedient, revision of rates and fares based on cost of service, impracticable and tariffs of maximal charges, a failure. The railroad question was thus stated; but the committee recognized the natural development of the railroad system as a system as well as the folly of restrictive legislation. "It assented to the growth of private corporations until they became so great that they must, soon or late, assume relations to the government corresponding with the public nature of their functions. . . . The railroad system therefore was to be left to develop itself, in its own way, as a recognized monopoly, held to a strict public accountability as such. Whenever it should appear that it abused its privileges and power, then the time for action would have arrived." It did not appear that such a time was present. To better watch over the system, however, a railroad commission was appointed whose powers were both judicial and executive. One main object of the commission was to put a stop to unjust discriminations and to hear all complaints against the roads. In England, therefore, the result of the development of the railroad system has been greater watchfulness on the part of the government. The English railroads may now make what special rates they please, but if they make a rate for one man they must make the same rate to all others situated in like circumstances. In like manner if they charge a person — say £5 on a car load of coal from Newcastle to Chester and secretly return him one pound — in the form of a rebate — other shippers, similarly situated, may compel the railroads to refund the overcharge. The English Railroad Commissioners will see to it that two shippers similarly placed are similarly treated when the cost to the railroad of handling the goods is the same in both cases. Matters have also

been simplified by the creation of a Clearing House for the railroads and the adoption of a uniform system of freight classification. When one road, therefore, lets another road use its cars an account is kept and a car at any time may be located, which is not always the case in America, where an Illinois Central car may be locked up at San Francisco or one of the Hudson River hidden away in Texas. As a result of this investigation we are led to the conclusion that the railroad question has been greatly simplified by Parliamentary legislation, and also by the roads themselves which, unlike our own roads, do not share their business with subsidiary corporations like sleeping car and express companies, but undertake to perform all the services required as carriers.

We are so accustomed to look to England for guidance in matters of legislation, that the English railroad system demands fuller explanation than that of any other country. It is pertinent to remark, however, that on the continent government initiation has always been of a most pronounced type and here the might of capital met the divine right of kings. So the continental railroads early assumed intimate relations with the government and government ownership and control were looked upon as both natural and proper. Ample illustration of those facts is furnished by the railroad system of Belgium — one of the most admirable of its kind in existence.

It so happened that when the railroad made its appearance in England, the Belgian revolution had not yet placed Leopold on the throne. His clear intellect had convinced him, during a residence in London, of the importance of Stephenson's invention as well as the futility of some of the then prevailing ideas of railroad management. Rejecting the principle of private ownership, Leopold planned a system of railroads to be owned and controlled by the government. The State railroads, however, failed to meet the demands of the public, and the Belgium government was obliged to fall back on the plan of granting charters or con-

cessions to private parties. Each charter or concession, however, contained the proviso that at the expiration of ninety-nine years from its date, the road was to become the property of the State on payment for the rolling stock. Meanwhile the private companies were allowed the privilege of fixing their own rates. The Belgian government in 1850 owned about two-thirds of the railroads; but it appears that while the Belgian government had taken up the best routes they were not monopolized. The result was what might have been expected. Private parties built competing lines. Mr. Adams regards this as the one exception to the rule that competition ends in combination. On the contrary, the government found that by lowering its rates it could compel reasonable rates on the part of the private roads. The latter amalgamated. In 1860 it appears that a sufficient number of trunk lines had been organized to compete with the government which, therefore, acquired a whole line of rival roads. It is claimed that military considerations growing out of the Franco-Prussian War still further developed the Belgian State roads, until to-day almost the entire system is in the hands of the government.

A few years ago, Mr. Edwin H. Terrell, then United States Minister at Brussels, in reply to an inquiry concerning the Belgian roads, thus wrote our Federal Commission: "The government railways are entirely controlled and managed by the Department of Railways, Postoffices, and Telegraphs, under statutory provisions. All matters connected with tariff rates, charges, etc., both as to freight and passenger traffic, are regulated entirely by law. There are no taxes levied upon the government railways. The construction and management of the private lines are now directly under provisions of the government, whose object is to bring the two systems into harmony. To secure compliance with these provisions, an officer is appointed by the government, known as the *Commissaire Général*, who exercises a general supervision over all the roads, public and private. Most of the private roads are obliged, under

their concessions, to transport at reduced rates troops, military material, and prison vans, while mail matter and postal agents are carried gratuitously."

We learn both from Mr. Adams and Professor Hadley that while England and Belgium were being crossed and re-crossed by railroads, France was earnestly studying the subject. Nor does there appear to have been especial need of hurry on the part of France, whose territory was furnished with highways of an excellent grade. Engineers, however, were making surveys and looking for means of establishing a railroad system whose symmetry would answer the demands of French ideas. "Nine great lines were mapped out, seven of which were intended to connect Paris with the departments of the frontier or the seaboard, while two were provincial. The State assumed the expense of acquiring the necessary lands and building the stations for some of the roads, while the companies undertook to furnish their superstructure and material, and to operate the roads." The companies themselves undertook the expenses of the other roads, and finally all the lines were consolidated into six companies, who undertook to build branch roads on whose cost the government guaranteed four per cent., "plus a sinking fund sufficient to pay off the bonds at maturity." Provision, however, was made for the reversion of the roads to the State in ninety-nine years, which by the law of 1859, would occur about the middle of the next century. Under the French system competition is guarded against, no company being allowed to trespass upon the territory of another; but the government has a general supervision over all the roads, including the subjects of rates, time-tables, and tariffs. The French system might, therefore be described as a mixed one. State ownership has been often advocated of late and one line is in the hands of the government; but the six companies still hold their own and will doubtless continue to do so until the financial condition of the Republic is materially altered for the better. "The guaranteed interest is a constant burden on the ser-

vice and it is in this connection that the French railroad question asserts itself. The essence of the system lies in regulation, as a substitute for competition."

Crossing the Rhine into Germany we come in contact with hereditary contrasts to the institutions of France. While Paris became the railroad centre of a comprehensive system, railroad development in Germany appears to have gone on pretty much in the same manner as it did in the United States, each state adopting its own plan. But with the advent of Bismarck and the rise of Prussia, state ownership of railroads became the fixed policy of those who aimed at the establishment of a true German Empire. Prussia took the lead in the matter; the recognized importance of railroads during the war with France furthered this policy, for the roads are used not only for industrial purposes "but for political and social as well." And the same can be said of Italy, Austria, Hungary and Russia, where state ownership largely prevails.

Unlike these products of paternalism the railroad system of the United States is thoroughly American in character. Like "Topsy" it appears to have simply "growed." The newness of the country was doubtless one cause of this lack of proportion and system. A vast empire was to be reclaimed; industries were to be created; a complete system of internal commerce was yet to be born, while from the mother country we had inherited those ideas of individual freedom so characteristic of Anglo-Saxon races. Although it is true that South Carolina, Georgia, and possibly a few other States, embarked at first on the hazardous experiment of State ownership, yet with us railroad management was from the beginning destined to be left in the hands of private persons.

An important fact was the early tacit recognition that the state rather than the nation was the proper source of the charters of railroad companies. The importance of this fact cannot be ignored, for it has much to do with the complicated character of our railroad question. To enter into

anything like a history of railroad legislation in the United States, however, would be to write the history of our country during the past half century or so. Suffice it to say, that with us, as in England, the same process of development took place. A period of construction gave way to a period of development, which in time was succeeded by a period of state interference. All legislation was founded moreover on those principles inherited from the mother country that have been so conspicuously present through the whole course of our history, namely, the principles of competition and those born of the mistaken idea that there is an analogy between the railway and the highway. During the period of active construction, which Mr. Adams fixes as lasting from 1830 to 1869 subsidies in every form were voted the new enterprises. Lands were granted; subscriptions pledged, both by individuals and municipalities; exemptions promised, and all other encouragement extended which a liberal and hopeful people were easily induced to lend. Beginning in 1869, the second period of railroad development closes seven years later, and, although the period was short in duration, it marked important features in railroad history. Foremost of all, competition was everywhere breaking down. System after system was consolidated. The fact was also beginning to dawn upon the average mind that it was ruin to depend upon competition between competing lines. Men realized that the construction of additional roads between two points, although for a time bringing down rates, only ended in a union of some sort with the additional burden of two roads to support instead of one. Then began the war between the public and the roads, which marks the third period of railroad development in America.

Curiously enough, the complaints against the railroads were not based upon charges of excessive rates. As a matter of fact the rates were not excessive. The chief cause of discontent appears to have been the discrimination practiced by the railroads, and this discrimination was either

personal or local. The former was the most unjust, and it appeared in various ways. When the railroad, for example, agreed to transport wheat for A at less cost than it charged B, the latter was forced to the wall. If such a thing happened before the advent of the railroad, B's remedy was to employ another carrier; but under our present system, the railroad being a natural monopoly, such a course was out of the question. In the nature of a monopoly itself, the railroad thus fostered monopolies all along the lines of commerce. Equally loud were the complaints against local discriminations. Between two rival points, similarly situated, let us suppose there runs a railroad. If goods are delivered at one point for a less amount than that charged to the other, the favored place will, of course, grow at the expense of the less fortunate one. In the latter business languishes, a general fall of values takes place, and serious loss is suffered by everybody. It appears that sometimes the railroads charged more for hauling freight to one place along its line than to another, although the less rate was given the more remote point. It has also been charged that many railroads were accustomed to use their increased wealth to influence, unduly, the legislation of the country, both state and federal, while by a liberal system of free passes, it won the support of many whose influence was regarded as being in some way desirable. Meanwhile, reckless mismanagement on the part of the roads themselves, cut-throat competition, and stock-watering, too often caused loss to investors. And general reduction of wages, made necessary by ruinous business methods, frequently ended either in bankruptcy or a general reduction of wages, or both. Then came, of course, the strikes. The results of all these evils might have been foreseen. Though patient, the American people have a forcible way of expressing themselves. They did so now. Under the circumstances, it is not to be wondered at that the first efforts of legislation regarding railroad charges were characterized by the times and the people. Both were crude, and the efforts of a rough

and ready civilization to grapple with a delicate question, may be imagined. Then, too, the demagogue who vehemently declaimed against "the robbers" of the corporations and "the railroad barons," too often found a ready ear. The Granger legislation of the West, in 1870-73, had the effect of bringing the railroads to a true realization of their nature and functions. Not until after a long struggle did the public win. Every inch of ground was contested. The railroads claimed that they were private corporations; that the Dartmouth College case had settled the point that their charter represented a contract with the State which could not be impaired; that attempts to regulate their charges was depriving a person of property without due process of law, and that they had the same right to charge one man less for hauling than they charged another that a merchant had to sell one man a coat cheaper than he sold another man a coat. Both in the State and in the Federal Supreme Courts every claim of the railroads was denied. Meanwhile, state legislation continued, and the railroads were brought to a recognition of the fact that they had public as well as private functions — that their franchises were given them in trust. Many of the states have now enacted laws forbidding personal and local discriminations. Publicity of rates is also insisted upon, and many of the states have Railroad Commissioners with duties similar to those of the English Commission. But while each state has the control of its own commerce, the Federal Constitution extends to Congress the supervision of interstate commerce. As many of the railroads cross several states, local laws were often of no avail. Congress now for the first time took the matter in hand and accordingly in 1886 a committee of the Senate — commonly known as the Cullom Committee — was appointed to investigate the whole subject. The report of this committee led to the passage in 1887 of "An Act to regulate Commerce" which is usually referred to as The Interstate Commerce Law. This act applied solely to railroads and their water connections. It provided for the ap-

pointment by the President, with the advice and consent of the Senate, of five commissioners to be known as The Interstate Commerce Commission, not more than three of whom were to be appointed from the same political party. The Commission was given power to inquire into the management of railroads passing through more than one state and to hear all complaints against the same. Reasonable rates were to be charged by such roads. Section 4 of the Act contained the famous long and short haul clause. It was declared to be unlawful for any railroad subject to the provisions of the act "to charge or receive any greater compensation in the aggregate for the transportation of passengers or of like kind of property, under substantially similar circumstances and conditions, for a shorter than for a longer distance over the same line, in the same direction, the shorter being included within the longer distance." This prohibition of course did not extend to long distance freight. In other words it did not exact equal mileage rates which would render long distance traffic impossible. Its object was to prevent that glaring discrimination which appeared when a carload of freight was hauled through one point to another at a less rate than to the nearer point. The 5th section of the act prohibited pooling. Pooling of freights is simply an agreement made by several roads to put their freight money into one pool to be divided in proportion to the business done. It prevents ruinous competition, injurious alike to the railroads and the people. It is interesting to note that the present Congress has passed an act authorizing pooling, which is permitted everywhere else save in the United States.

The railroad question in America is largely one of rate-making. What is a reasonable rate? That is the puzzle. The question is one for the courts to decide; but how can they reach a conclusion? Some say rates should be based on cost of service which is of course absurd on the face of it. The railroads themselves cannot answer the question. Experience, however, has taught them that they must charge

more for hauling one class of goods than another or in other words they must charge "what the traffic will bear." This seems reasonable enough. If the freight on coal was as high as that on silk little coal could be shipped and this has given rise to freight classification. A very serious difficulty appears to lie in the fact that there is no uniformity of classification in this country, and it is to be hoped that the earnest efforts of the Federal Commission to secure such uniformity will be realized. Under the present system moreover the railroads themselves do not fix rates. This difficult and dangerous subject—a subject as near as possible akin to that of levying taxes—is entrusted to the manager of the railroad whose main object is too often that of securing business regardless of cost either to the roads or the public. No enterprise can flourish under such a system and the only wonder is that more roads do not go into the hands of receivers. The railroads may learn a lesson from the zone system of Austria-Hungary. There the country is divided into zones and the state railroads, in order to encourage communication between different portions of the country, charge in proportion to the number of zones crossed, the rates decreasing with the distance. Charges to all points in the same zone are equal.

Many believe that to remedy our troubles the government should buy the railroads. It is assumed that by government the advocates of such a policy refer to the national government, for ownership by the individual states would render interstate commerce well-nigh impossible. Theoretically speaking, much might be said in favor of the nationalization of the roads. Professor Hadley gives the conditions laid down by Adolph Wagner, the leader of German Socialists, which favor state ownership of the means of transportation and communication: "1. When the efficiency of the service requires uniform and wide extension over the whole country and international communications, such as the postoffice, telegraph, and in some cases, railroads. 2. When the service involves anything like a monopoly.

legal or actual. 3. When it requires constant repetition of the same services, according to fixed schedules, in such numbers as to involve the existence of a large body of officials. 4. When the cost may be lessened by combining a variety of services at small stations, for instance, letter and parcel post, railroad stations, and telegraph offices. 5. When the service in private management can only be secured by subsidies on a large scale. 6. When it is necessary on grounds of public policy that the service should inure uniformly to the benefit of the whole people. These principles, he concludes, enable us to speak decisively in favor of state management in the case of letter-post and telegraph; more reservedly in the case of parcels-post and railways; in the matter of navigation they justify it only in exceptional cases."

In this connection, however, Professor Hadley mentions the experience of Italy in the management of state railroads. That government, after having tried the experiment for many years, not a great while ago, appointed a parliamentary committee to inquire into the subject. The committee spent some time in its work, extending its investigations to all parts of the kingdom, and finally reported, according to Professor Hadley: "First, that it is a mistake to expect lower rates or better facilities from government than from private companies. The actual results are just the reverse. The state is more apt to tax industry than to foster it; and when it attempts to tax industry, it is even less responsible than a private company. Second, state management is more costly than private management, and a great deal of capital is thus wasted. Third, political considerations are brought into a system of state management in a way which is disastrous to legitimate business and demoralizing to politics." In the United States the very magnitude of the railway system tells strongly against state ownership. Mr. Lewis shows that while the annual income of our national government is \$500,000,000, that of the railroads is \$1,100,000,000,—more than double that of the

government. The last report of the Interstate Commerce Commission, moreover, values the nearly 200,000 miles of American railroads at more than \$10,000,000,000. It is estimated that directly and indirectly, the railroads of this country give employment to 1,600,000 men, while during the Civil War the total number of soldiers enlisted in the Union and Confederate armies was 1,750,000. Viewed from a financial point, the purchase of the roads, for they could only become the property of the government in that way, would be a tremendous undertaking, to say the least of it. Under our present system of civil service, moreover, it is difficult to imagine the disastrous results that would follow the addition of so large an army to the rank and file of office-holders. Instead of state ownership, state control may be found better for us. It is difficult, of course, to reconcile the two conflicting interests of private property and public duty. The railroads, however, must be made to understand that in consideration of their franchises and rights of eminent domain granted them, they assume certain public duties for the performance of which they will be held to a strict accountability. The powers of the Federal Commission might be strengthened, for, as it is present constituted, it is little more than an advisory board, its decrees having no sanction. It might be given both executive and judicial powers. At the same time it is not just to regard the railroads solely as public agencies. They represent the results of private property which cannot be appropriated by the public without due process of law. In case, however, a new Magna Charta is necessary to protect the present generation from the inroads of old foes under new faces it will in due time be forthcoming. At all events, the sober common sense of a great people bids us not to despair of the Republic.

B. J. RAMAGE.